

ER: 62-2012/a

11 APR 1962

The Honorable Teodoro Moscoso,  
United States Coordinator  
Alliance for Progress  
Department of State  
Washington 25, D. C.

Dear Ted:

I appreciate your two letters of March 30,  
one transmitting the information on the  
Urubupunga Hydroelectric Project and the other  
forwarding the copy of the memorandum directed  
to you from Mr. Everett Reimer.

I have asked some of our specialists here  
to give me a comment on Mr. Reimer's memorandum  
and I will be in further touch with you on it.

Sincerely,

(Signed) JOHN A. McCONE

John A. McCone  
Director

CIA HISTORICAL REVIEW PROGRAM  
RELEASE IN FULL 1995

STAT

O/DCI [redacted] vgd 4 April 1962  
Distribution:  
orig - Addressee  
1 - DCI  
2 - ER  
1 - FMC w/basic for action

State Dept. review completed

62-2012



UNITED STATES COORDINATOR  
ALLIANCE FOR PROGRESS

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington 25, D. C.

March 30, 1962

The Honorable John McCone  
Director, Central Intelligence Agency  
Washington 25, D. C.

Dear John:

I am attaching a status report prepared by  
a member of my staff on the Urubupunga Hydroelectric  
Project.

I believe it contains the information you  
requested Tuesday during luncheon.

Sincerely,

Teo  
Teodoro Moscoso

Attachment

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# Memorandum

TO : Mr. Teodoro Moscoso

DATE: March 30, 1962

Through: Mr. Grand  
FROM : S. J. Dyche *sd*

SUBJECT: Brazil: Urubupunga Hydroelectric Project

The subject project, which is being developed by "Central Electrica de Urubupunga" in which the state of Sao Paulo is the major shareholder, is one of fourteen power projects listed in the "emergency plan" of GOB. Neither a project application nor project details have been submitted to or reviewed by AID staff. Total cost of the project probably exceeds \$200 million, with approximately \$80 - 100 million foreign exchange. The state of Sao Paulo is aggressively pushing this project. Recently world-wide bids were received for heavy electrical equipment with financing terms. A Japanese group was low bidder at \$44 million, offering terms of  $18\frac{1}{2}$  years at  $6\frac{1}{2}\%$  interest with a three year grace period. U.S. and European firms also bid. U.S. firms did not indicate financing terms. European firms offered financing comparable to Japanese, with lower bids than U.S. Europeans have indicated strong interest in project, although they also have some technical reservations.

GOB has not indicated a specific priority for this project vis a vis other power projects or other programs in the "emergency plan." US AID/Brazil has some reservations. The project obviously is designed to meet long-term future requirements and is located almost 400 miles from any large electricity consuming center which, owing to the high cost of constructing grid facilities, would make this project expensive in meeting Brazil's power requirements relative to other proposed projects in the "emergency list." Some officials of the BNDE in Brazil expressed similar reservations in conversations with the Grand Mission in Rio last February. LA/CD fully shares this reservation. With fourteen large power projects under active consideration for external financing GOB clearly should establish some priorities relating these projects to over-all plans for power development. This has not been done to date.

Treasury has taken the position that third country financing for this project should be thoroughly explored, provided suitable terms can be secured, and suggests DAC should focus on this project.

## Recommended Position:

Since Japanese offer firmly indicates possibility third country financing, this phase, we should pursue possibility third country financing for completion project and offer U.S. services in presenting and furthering possible DAC financing.